

Congress of the United States

Washington, DC 20515

March 8, 2005

Honorable Jim Nussle
Chairman
House Budget Committee
309 Cannon House Office Building
Washington, D.C. 20515

Honorable John M. Spratt
Ranking Member
House Budget Committee
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Sirs:

As you near consideration of the FY 2006 Budget Resolution, we are writing to express our opposition to proposed cuts in the FY 2006 HUD budget, and particularly, to oppose inclusion in the Budget Resolution of the budget proposal to cut funding for the Community Development Block Grant (CDBG) program and to transfer that program to the Department of Commerce.

The FY 2006 Budget includes a proposal to consolidate 18 programs, including CDBG, into a new program to be operated by the Department of Commerce. Proposed funding for this consolidated program would be 35% lower than the combined FY 2005 appropriated level for these 18 programs. The pro rata reduction for CDBG alone would be \$1.42 billion.

This funding reduction would have a significant negative impact on the ability of states and localities to address local housing and community development needs. Housing would be particularly hard hit. Last year, \$1.16 billion of CDBG funds were used for housing, resulting in 112,000 homeowners receiving assistance to rehabilitate their homes, 11,000 families becoming 1st time homebuyers, and 19,000 rental housing units being rehabilitated. Since housing would presumably no longer be an eligible activity in this new Commerce Department program, communities throughout the nation would lose this valuable affordable housing resource.

We are also concerned that adoption of this proposal could eliminate funding for a large number of communities. Although the proposal does not include a detailed funding formula for the new program, it states that it *"targets resources only to communities that need assistance, based on poverty and job loss,"* further noting that only *"38% of CDBG funds currently go to States and communities with poverty rates that are lower than the national average."* A dramatic narrowing of funding eligibility would jeopardize the ability of countless moderate-income communities to create jobs and affordable housing opportunities for lower income working families.

The Department of Housing and Urban Development, in its "Highlights of FY 2004 CDBG Accomplishments," states that *"The CDBG program is based on the concept that local communities and states can best determine priority community development needs and then develop strategies and programs to address those needs. This local flexibility is a hallmark of*

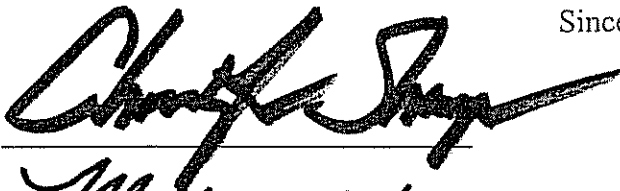
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the program. The process includes significant citizen participation." The proposed changes to CDBG would jeopardize the flexibility and local control that are the hallmark of the program.

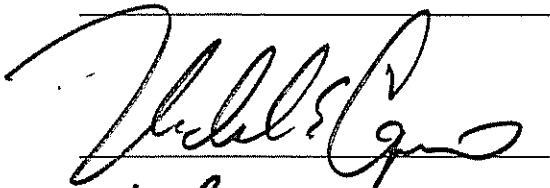
CDBG is a program that works. Therefore, we support full funding for CDBG, and believe it is premature for the Budget Resolution to even address such a far-reaching change to the program before the committees of jurisdiction have even had an opportunity to hold hearings on the topic.

We thank you for consideration of this request.

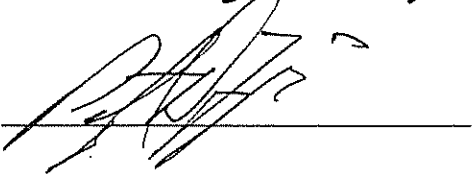
Sincerely,



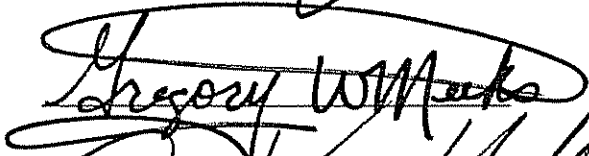
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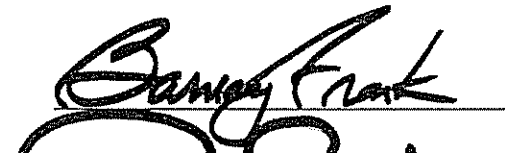


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